

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Local Exchange Carriers)
Rates, Terms, and Conditions)
for Expanded Interconnection)
Through Physical Collocation)
for Special Access and Switched Transport)

CC Docket No. 93-162

AMERITECH'S PETITION FOR PARTIAL RECONSIDERATION

Ameritech¹ submits this petition respectfully requesting that, in light of updated cost information submitted to the Commission in November, 1994, the Commission reconsider that part of its recent order in the above-captioned proceeding² which finds that the "overhead loading factors" reflected in Ameritech's 1994 rates for physical collocation services are unjust and unreasonable³ and requires Ameritech to refund a corresponding portion of the

¹Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc..

² *In the Matter of Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection through Physical Collocation for Special Access and Switched Transport*, CC Docket No. 93-162, Second Report and Order, FCC 97-208 (released June 13, 1997) ("Order").

³ *Id.* at ¶¶ 311-315 and Appendix D.

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rates charged for physical collocation service between December 15, 1994, and the date Ameritech discontinued providing physical collocation service.⁴ For Ameritech that date was December 31, 1994.

As a preliminary matter, it would be appropriate to explain that the process of assigning an overhead loading to interconnection service is in no way related to the process by which Ameritech DS1 and DS3 services are priced. The process of assigning overheads is part of a process in which rates are based on cost. Prior to price caps, for example, in developing special access rates, unit costs for each service were developed by a “bottoms-up” study. On top of these figures, an overhead loading factor was applied to develop rates that would recoup the totality of the special access revenue requirement. The overhead loading factor utilized by Ameritech in developing its rates for interconnection services was 1.58, the same factor utilized by Ameritech in the last annual access filing prior to price caps.

The rates for special access services, on the other hand, are today based primarily on the market -- a fact which the Commission itself has acknowledged.⁵ Direct costs are relevant only as a check to make sure that the rates do not generate losses. In addition, the price cap service bands place limitations on price movement. (It was the Commission’s intent in implementing price caps to get

⁴ *Id.* at ¶393.

⁵ *In the Matter of Local Exchange Carriers’ Rates, Terms, and Conditions for Expanded Interconnection through Virtual Collocation for Special Access and Switched Transport*, CC Docket No. 94-97, Phase I, Order Designating Issues for Investigation, DA 95-374 (released February 28, 1995) at ¶18.

costs “off the table” in the rate regulation process.) However, overheads are never assigned to a service in order to determine that service’s rate. What the Commission has termed “overhead loading” in the case of DS1 and DS3 services is in reality simply “margin”.

In the Virtual Collocation Overhead Prescription Order, based on information supplied by Ameritech in November, 1994, about the costs and margins for “comparable” Ameritech DS1 and DS3 services, the Commission affirmed “the Bureau’s conclusion that Ameritech’s and CBT’s overhead loadings appear to comport with this Commission’s overhead loading standard.”⁶

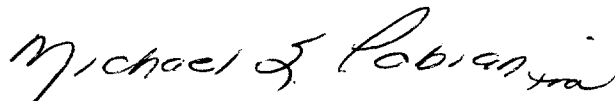
It should be noted that Ameritech included the same standard overhead loading of 1.58 in both its rates for physical collocation service under investigation in this Docket No. 93-162 and its rates for virtual collocation service under investigation in Docket No. 94-97. In the Order in this docket, the Commission based its overhead loading analysis on pre-price caps cost data submitted by Ameritech in early 1994. Later, in response to specific Commission requests in connection with its investigation of the rates for virtual collocation services, Ameritech submitted updated cost information with respect to comparable DS1 and DS3 services. In that investigation, and based on the updated cost

⁶ *In the Matter of Local Exchange Carriers’ Rates, Terms, and Conditions for Expanded Interconnection Through Virtual Collocation of Special Access and Switched Transport*, CC Docket No. 94-97, Phase I, Report and Order, FCC 95-200, (released May 11, 1995) (“Virtual Collocation Overhead Prescription Order”) at ¶97. See also note 182.

information, the Commission, at least tentatively, concluded that Ameritech's virtual collocation rates complied with the Commission's overhead cost standard.

In this request for reconsideration, therefore, Ameritech asks that the Commission re-evaluate the overhead loadings included in Ameritech's physical collocation rates in effect in December, 1994, based on the updated cost information with respect to comparable DS1 and DS3 services that Ameritech submitted to the Commission in November, 1994, in connection with the Commission's investigation of Ameritech's virtual collocation rates. Ameritech requests that the Commission find that, in light of that data, Ameritech's physical collocation rates in effect in 1994 complied with the Commission's overhead loading standard and that no refund in that regard is necessary.

Respectfully submitted,

A handwritten signature in cursive script, reading "Michael S. Pabian".

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July 14, 1997

CERTIFICATE OF SERVICE

I, Edith Smith, do hereby certify that a copy of Ameritech's Petition For Partial Reconsideration has been served on the parties on the attached service list, via first class mail, postage prepaid, on this 14th day of July, 1997.

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